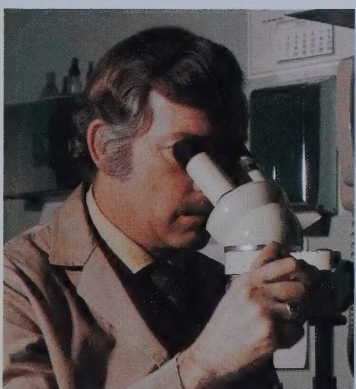
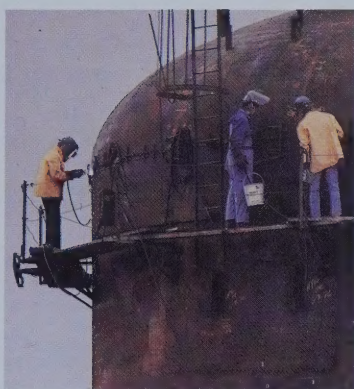
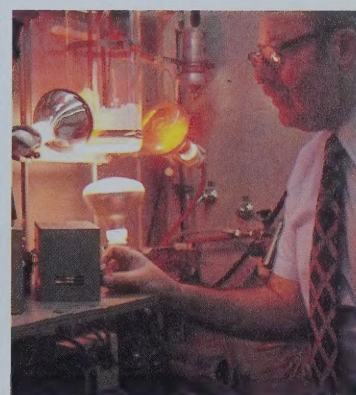


AR37

Imperial Oil Limited Annual Report 1976

**Advance copy
not to be released
until Monday,
March 28, 1977**



Imperial Oil Limited

Roberta Ellis shows Doris Buckley how to operate a calculating machine at a self-serve station in Toronto.



DIRECTORS

J. A. Armstrong
J. W. Flanagan
J. H. Hamlin
A. R. Haynes
J. G. Livingstone
D. D. Loughheed
D. K. McIvor
W. J. Young

OFFICERS

*President and
Chief Executive Officer and
Chairman of the Board*

J. A. Armstrong

Executive Vice-Presidents

J. G. Livingstone
D. K. McIvor

Senior Vice-Presidents

J. W. Flanagan
J. H. Hamlin
A. R. Haynes
D. D. Loughheed
W. J. Young

Vice-Presidents

G. L. Haight
A. M. Lott
D. H. MacAllan
G. R. McLellan
A. G. Moreton
G. A. Rogers
V. Sirois
P. Stauff
T. H. Thomson

General Secretary

D. H. MacAllan

Comptroller

G. R. McLellan, F.C.A.

Treasurer

A. M. Lott

General Counsel

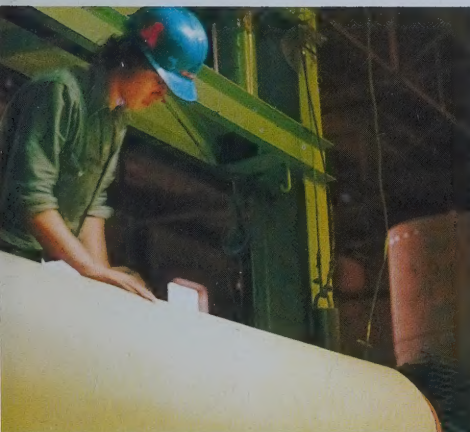
G. A. Rogers

Subsidiary Companies

W. H. Adam, Ltée, Ltd.
Albury Company Limited
Allied Heat and Fuel Limited
Atlas Supply Company of Canada Limited
Bourque Brothers Limited
Building Products of Canada Limited
Champlain Oil Products Limited
Citadel Centres Limited
Delta Rope & Twine Limited
Devon Estates Limited
E S F Limited
Esso of Canada Limited
F. A. F. Holdings Limited
Donat Grandmaitre Limited
Hall Fuel (1965) Limited
Hi-Way Petroleum Ltd.
Home Oil Distributors Limited
Imperial Oil Developments Limited
Imperial Oil Enterprises Ltd.
Imperial Oil of Canada Shipping Company Limited
The Imperial Pipe Line Company, Limited
Ioco Townsite Limited
Lou's Service (Sault) Limited
Maple Leaf Petroleum Limited
Midwest Fibreboard Ltd.
Mongeau & Robert Cie Ltée
James Murphy Fuel Oil Company Limited
Nisku Products Pipe Line Company Limited
Northwest Company, Limited
J. P. Papineau Ltée/Ltd.
Poli-Twine Corp. Ltd.
Polybottle Limited
Renown Building Materials Limited
Les Restaurants Le Voyageur Inc.
Robbins Floor Products of Canada Ltd.
Seaway Bunkers Limited
Servacar Ltd.
Stanmount Pipe Line Company
Transit Company, Limited
Western Oil & Trading Company Limited
Winnipeg Pipe Line Company Limited

J. F. Barrett, Q.C., retired as vice-president and general counsel on Nov. 18, 1976; W. A. West, vice-president, transferred to an affiliate on July 31, 1976; and G. K. Whynot, vice-president, retired on Aug. 31, 1976.

Elvin Musselman examines a roll of paper at the Building Products mill in Edmonton.



Gerry Shea worked on a team exploring for uranium in the Northwest Territories.



Annual Meeting

The annual meeting of shareholders will be held at 11:00 a.m., Friday, April 22nd, 1977, in the Canadian Room, Royal York Hotel, Toronto.

Transfer Offices

Imperial Oil Limited shares may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver, and Bankers Trust Company, New York.

Imperial Oil Limited was incorporated under the Canada Joint Stock Companies Act, 1877 on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Ontario M5W 1K3.

1	2	3	4
1	5	6	7
8	9	6	10

COVER

1. Route salesman Ted Wood, Toronto.
2. Welding on heat exchanger, Vancouver refinery.
3. Jacques Dubé installing insulation, Montreal refinery.
4. George Gander working in the plastics technology laboratory, Sarnia.
5. Christine Crombie explaining an employee benefits package, Toronto.
6. Construction on the Syncrude plant in Alberta.
7. Gordon Williamson in the computer control centre, Montreal refinery.
8. Rodney Hamergren and Fred Kowal drilling the Quaich well in Alberta.
9. Ed Trautman examines rock specimens in the laboratory at Calgary.
10. Contract floor hands servicing a well at Judy Creek.

This annual report is illustrated with photographs of some of the people who worked for Imperial, its subsidiaries, agents, and contractors in 1976.

Contents

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- 6 Operations Review
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- 24 Financial Statements
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- 28 Ten-Year Summary
- 30 Financial and Operating Trends

Les rapports annuels de la Compagnie Pétrolière Impériale Ltée sont publiés en français et en anglais. Si vous préférez recevoir le rapport en français, veuillez écrire à la Division des relations avec les actionnaires, Compagnie Pétrolière Impériale Ltée, C.P. 4029, Toronto (Ontario) M5W 1K3

Financial and Operating Highlights

Financial

	1976	1975
	<i>millions of dollars</i>	
Earnings	264	250
Dividends	106	104
Revenues	4,367	4,110
Capital and exploration expenditures	393	326
Taxes charged against income	535	457
Total taxes generated	948	951
Crown royalties	291	273
	<i>dollars</i>	
Earnings per share	2.03	1.92
Dividends per share	.816	.80
	<i>percentages</i>	
Earnings as a percentage of:		
average shareholders' equity	15.9	16.4
average capital employed	11.4	12.0

Operating

	1976	1975
	<i>thousands of barrels per day</i>	
Petroleum-product sales	441	418
Crude oil processed at refineries	423	395
Crude oil and natural-gas liquids		
gross production	236	265
net production	154	173
Natural-gas sales (millions of cubic feet per day)	378	412
Chemicals and building-materials sales (metric tons per day)	4,697	4,548
Gross proved reserves*		
crude oil and natural-gas liquids (millions of barrels)	1,101	1,137
Western Canada natural gas (billions of cubic feet)	2,366	2,519
Estimated Mackenzie Delta natural-gas reserves (billions of cubic feet)	3,400	3,100

*Does not include Beaufort Basin discoveries or Syncrude, Cold Lake, and other heavy oils.

Message from the President

Charlie Peel makes a delivery of fuel oil to a home in Toronto.



We can look back on the company's performance during 1976 with some satisfaction. Imperial's operating and financial results, in a notably difficult year for business, provided clear evidence of the company's ability to adapt promptly and effectively to changing business and market conditions. This flexibility enabled the company to cope reasonably well, not only with very strong competition in all sectors of its business, but also with increased and changed regulations in many areas.

Imperial believes it is important that governments allow a quick return to more normal market conditions. Coping with the effects of the many regulatory constraints on our operations is costly in terms of the extra staff work required.

During 1976, Imperial continued to urge on the federal and provincial governments the necessity for an increase in the industry's share of revenues from the production of oil and gas and there are some grounds for cautious optimism in this area. Recent changes in legislation and fiscal policies suggest a growing recognition by governments of the industry's urgent need for more improvement in

industry revenues and it is to be hoped that this recognition will be reflected in future policies.

In the Syncrude project, in the continuing experimental work on heavy-oil production being conducted by Imperial at Cold Lake, Alta., and in the industry's extensive continuing program of frontier exploration, there has been considerable progress in the development of additional energy supplies.

In other areas, however, the future is clouded by uncertainties and these must be resolved before we can hope to realize this country's full potential for new energy. The reserves of natural gas that have been discovered by Imperial and other companies in the Mackenzie Delta cannot benefit Canadian consumers until a suitable transportation system is in place. The earliest and most efficient way of moving this gas is, in Imperial's view, via the proposed Canadian Arctic Gas pipeline. But in this project, as in many others, timing is critical and a prompt as well as favorable federal decision on this crucial project is necessary.

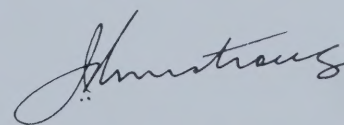
Also, seven years have passed since the government announced that regulations governing exploration and development on federal lands would be changed. During this time of uncertainty, Imperial and other members of the industry spent very large sums of money on frontier exploration in the expectation that the new regulations, when in place, would be fair and equitable. During the past year, new regulations were revealed in proposal form. In Imperial's opinion, the high degree of ministerial discretion, the favored position for Petro-Canada, and other conditions would not provide fair and equitable treatment for the industry. It is essential that this issue be resolved in a way that will promote rather than inhibit the government's declared target of a doubling of exploration and development on federal lands.

In the refining and marketing side of the industry, cash flows have been seriously affected by freezes imposed on product prices by the federal government following increases in the price of crude oil. At the provincial level, further uncertainties are provided by the threat of additional freezes and the tendency of some provincial governments toward in-

creased involvement in other aspects of the gasoline retailing business. Imperial believes that governments must refrain from undue intervention in the selling of petroleum products if the needs of consumers are to be met efficiently.

In addition to providing badly needed new supplies of energy, it must be emphasized that the development of this country's energy resources can make a tremendous contribution to overall economic progress. Not only will future energy projects provide wealth for the nation and direct employment for many Canadians, but indirectly they will generate thousands of other jobs in a wide variety of industries and services. However, the very large amounts of capital required for these projects can be accumulated only if a stable and attractive investment climate exists.

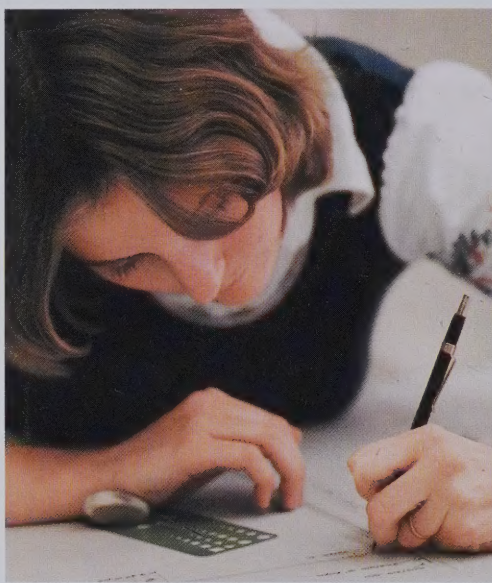
Therefore, it is of prime importance to establish, through appropriate and long-term federal and provincial policies, a climate of confidence in which the industry can tackle the important job that lies ahead.



J. A. Armstrong
President and
Chief Executive Officer and
Chairman of the Board

Review of 1976 Operations and Results

Cathy Steinhauer in the drafting room of the Calgary office.



Dick Kunze repairs a brake at the Finch Ave. terminal in Toronto.



Financial Results

The earnings of Imperial Oil Limited in 1976 were \$264 million, an increase of \$14 million over the 1975 earnings of \$250 million. Earnings per share of \$2.03 compare with \$1.92 for 1975.

As reported in the financial statements on page 24, total revenues reached \$4.4 billion, an increase of \$257 million over 1975 revenues. Higher prices and increased sales produced greater revenues from petroleum products and chemicals than in 1975. Revenues from crude oil purchased for resale in 1976 were down from the 1975 amounts because exports were reduced significantly. Expenses in 1976 increased by \$243 million, largely due to the higher costs of crude-oil and product purchases, increased operating and exploration costs, and greater government share in the form of royalties and taxes.

The cash requirement for capital expenditures, dividend payments, and re-

duction in long-term debt in 1976 was \$430 million. These needs were more than met from current operations (\$420 million), from the sales of surplus property, plant, and equipment (\$21 million) and from a reduction in long-term accounts receivable (\$7 million). The excess of \$18 million was added to working capital which, at \$590 million at year-end, remains relatively unchanged from 1975.

The cost of inventories of crude oil and products increased by \$73 million in 1976, mainly due to the increase on July 1, 1976, of \$1.05 per barrel in the price of crude oil. The funds needed to finance this added cost came mainly from earnings and accounts receivable. Reductions in receivables resulted from programs to improve efficiency in the management of these accounts, plus payments of amounts receivable from governments for their share of the pre-investment made by Imperial in Syncrude.

This year, earnings and capital employed are being reported by major operating segments in order to provide more information about the role each segment of the company plays in Imperial's total operations. The segments show a financial profile of the types of integrated operations that provide Canadians with a balanced petroleum industry, from exploration to the sale to the consumer. The segments are presented as if they were separate entities and include the financial effect of transactions between them. In the consolidated financial statements and the ten-year summary on pages 22 to 29, the effects of inter-segment transactions have been eliminated. The financial and operating results of each segment are reported in greater detail following the table below.

	Earnings after taxes		Capital employed at Dec. 31	
	1976	1975	1976	1975
	millions of dollars			
Natural Resources	185	158	841	667
Petroleum Products	48	54	1,355	1,356
Esso Chemical Canada	19	31	178	175
Interest on				
Long-Term Debt	(16)	(15)	—	—
Other Operations	28	22	189	157
	<u>264</u>	<u>250</u>	<u>2,563</u>	<u>2,355</u>

Eric Hamilton, a process operator at Judy Creek, Alta.



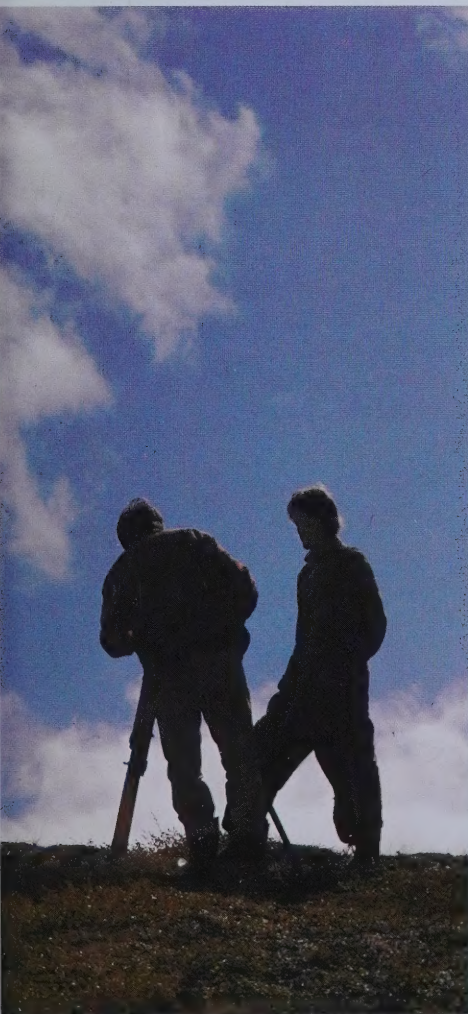
Development of Natural Resources

Imperial's operations in the development of natural resources include the exploration for and production of crude oil and natural gas, the development of synthetic crude oil, the development of heavy oils, and exploring for and developing coal and other minerals. Earnings from these operations were \$185 million in 1976, compared with \$158 million in 1975. The amount of capital employed increased by \$174 million during 1976, mainly because of expenditures for the Syncrude project, investment necessary to maintain production levels of crude oil and natural gas, and the cost of successful exploration wells, all of which are capitalized.

Oil and Gas PRODUCTION

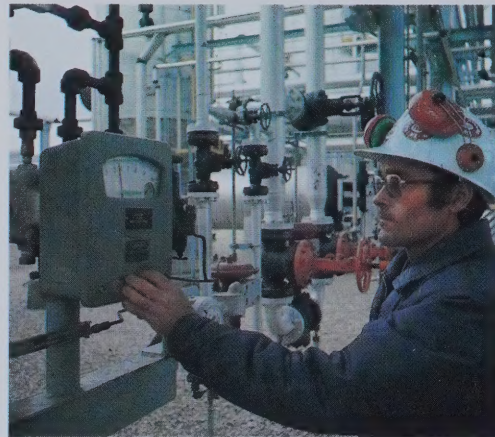
Imperial's gross production of crude oil and natural-gas liquids averaged 236,000 barrels per day in 1976, a decrease of 29,000 barrels from 1975. This is due mainly to the federal government's policy of helping to protect future Canadian requirements by phasing out exports by about 1981. Rising Canadian demand is expected to result in Imperial's crude production remaining near current levels for 1977.

As production of crude oil declined in 1976, the amount of natural gas produced in association with it also declined. This contributed to the decrease in sales of natural gas from 412 million cubic feet per day in 1975 to 378 million in 1976. The major factor, however, was declining productivity in the gas fields at Clarke Lake and Rigel, B.C., two significant sources of Imperial's natural gas. Investments will be made to increase the productivity of these two fields in 1977. These and other investments will keep gas sales at about the current level for several years.



Frank Hassard (left) and Blair Anderson at Mountain Lake, N.W.T.

Ira Wilson checks an instrument at the gas plant at Judy Creek, Alta.



Driller Gary Stovin on the floor of the rig at Arnak in the Beaufort Sea.

GOVERNMENT POLICY

Imperial believes that by the early 1980s, Canada's domestic oil production will not be able to meet the demands for Canadian crude oil west of the Ottawa Valley plus the 250,000 barrels per day supplied to the Montreal market by the Interprovincial pipeline. Even with assumed new discoveries and production from the Syncrude plant, Canada's imports of oil will grow to about a million barrels per day by 1985. The situation for natural gas will be similar with demand outstripping supply in the mid-1980s if the reserves in the area of the Mackenzie Delta and the Beaufort Sea are not brought to market. Imperial made several submissions to federal and provincial governments during 1976 to communicate the company's concern that improvements are needed in both revenue-sharing and exploration regulations to stimulate the search for new hydrocarbon supplies and the development of oil-sands reserves. The company believes that these submissions have resulted in an improved

understanding by governments of the various energy problems that the country and the industry face.

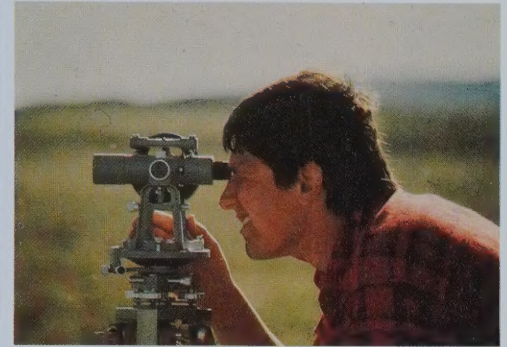
Imperial does not believe that the current fiscal measures intended to encourage exploration and development will be successful in achieving the federal government's objective of self-reliance in energy. These current measures rely heavily on various provincial incentive programs, which tend to reduce the cost of exploration in the provinces where they apply. The company believes a more effective and efficient way to encourage exploration and development would be to reduce the provincial and federal share of revenues from the production of crude oil and natural gas. By increasing confidence in the soundness of petroleum investments and by increasing cash flows to industry, this would increase the industry's willingness and ability to aggressively explore for and develop new energy supplies.

The revenues retained by the industry from the production of oil discovered before 1974 were estimated at the beginning of 1977 to be \$2.09 per barrel. These revenues are after payment of production

Edward Kotokak keeps watch for polar bears at Sarpik in the Beaufort Sea.



Larry Diakow surveying the site at the Mountain Lake uranium camp.



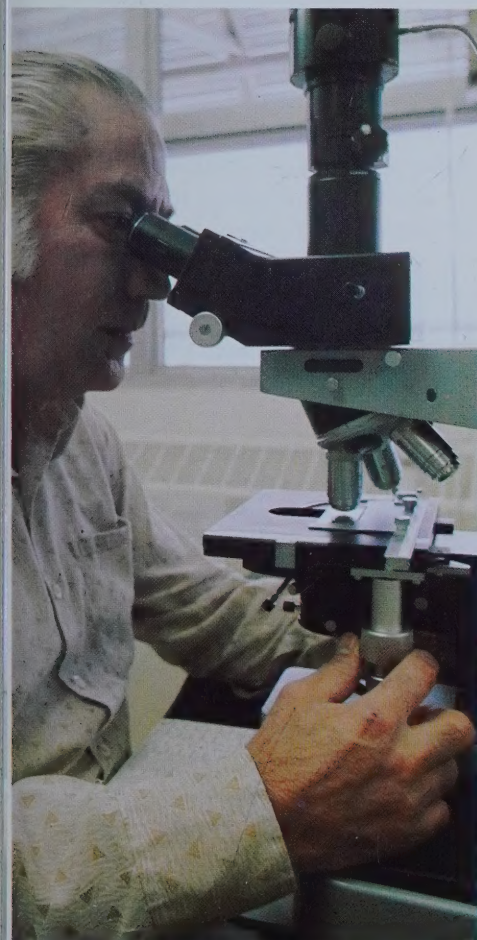
costs, royalties, and income taxes and are calculated prior to any re-investment of earnings. The corresponding estimate for September, 1973, before the large increases in international oil prices, was \$1.68 per barrel. Thus, while domestic crude-oil prices have increased by \$5.95 in the past three-and-a-half years, the industry has received only an additional 41 cents. This increase, which is equivalent to just over one cent per gallon at the gas pump, was not even enough to maintain the purchasing power of industry revenues against inflation during the period.

OIL AND GAS OPERATIONS IN THE WESTERN PROVINCES

In 1976, approximately 60 percent of Imperial's production of crude oil came from three major pools — Judy Creek, Redwater, and Golden Spike — all in Alberta. Because capital investments had been made in these pools to provide high productivity, the company was able to produce a large share of the oil needed to meet increases in demand in the period

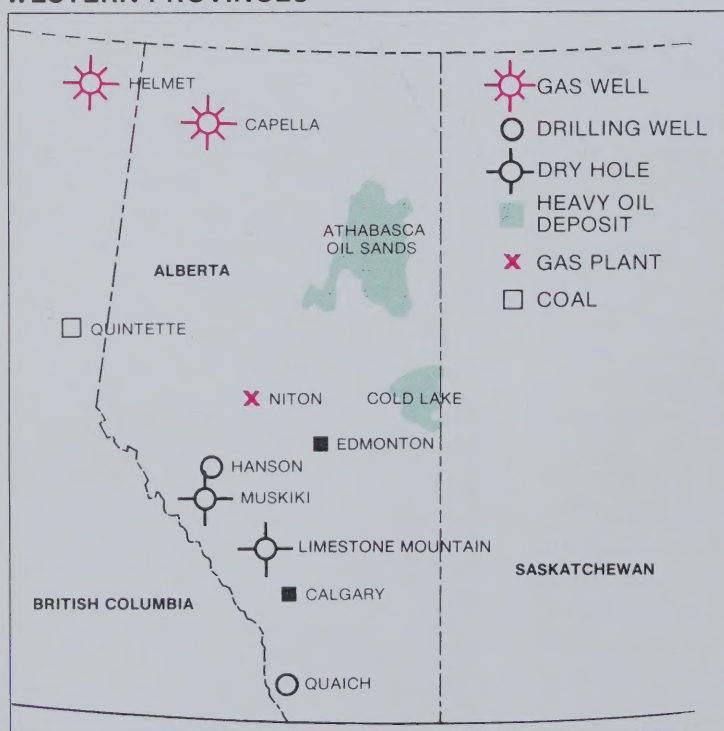
from 1972 to 1975. During 1976, Imperial continued to benefit from these investments in productivity. With approximately 30 percent of the industry's total spare capacity, the company was able to respond to some particularly high demands for crude at specific times during the year. The 1976 result of this investment was that Imperial was able to produce an additional 6,000 barrels per day of crude oil averaged over the year. The company is continuing extensive engineering studies to optimize recovery and profits from these pools.

Largely because of higher wellhead prices for natural gas, Imperial continued to explore for natural gas in Alberta and northeastern British Columbia in 1976. In the Alberta foothills, Imperial drilled and abandoned a well at Muskiki and participated in the drilling and abandonment of a well at Limestone Mountain. At year-end, two more wells, Hanson and Quaich, were being drilled in Alberta. In the Capella area of northern Alberta, Imperial drilled five successful shallow gas wells in 1976. Additional acreage was purchased in the area and exploration and delineation drilling are continuing. This area should be on production by 1979.



Paleontologist Frank Staplin studies fossils at the Calgary laboratory.

WESTERN PROVINCES



Beginning in 1976, Imperial participated in the drilling of six wells with an associate and located additional gas reserves in the Helmet field east of Fort Nelson, B.C. Production began late in 1976.

During 1976, the company also began a program to develop additional supplies of natural gas from shut-in and undeveloped pools in Alberta and British Columbia which, due to increased gas prices, are now economic. These additional supplies are expected to contribute about 10 million cubic feet per day to Imperial's natural-gas sales in 1977.

Including Imperial's interest in wells operated by others, the company now has 2,766 net oil and gas wells capable of production. In addition, the company has interests in 36 plants that process natural gas to recover natural-gas liquids and sulfur and to produce marketable gas. The company is the major owner and operator of nine of these plants. Imperial will become the operator of a 10th plant in 1977, with the start-up of a gas plant under construction near Niton, Alta. Imperial has an interest of approximately 25 per-

Exxon's Robert Mitchell tests some properties of ice at the Calgary laboratory.



René Ruest and Jean-Paul Therrien examine repairs to a hydrofiner at Montreal refinery.



cent in this plant, which will have a capacity of 30 million cubic feet per day.

The company continued extensive programs to improve efficiency and conserve energy in 1976. If these programs had not been operating, the company estimates that the amount of energy consumed in production activities would have been six percent greater for the year.

SYNTHETIC CRUDE-OIL DEVELOPMENT

Imperial is a 31.25 percent participant in Syncrude Canada Ltd., which is building a plant to mine shallow deposits in the Athabasca oil sands in Alberta, extract the bitumen, and upgrade it into a synthetic crude oil. At the end of 1976, the plant construction was 60 percent complete, which is very close to the timetable established in 1974. Costs are also about on target. The Syncrude plant will begin production in 1978 and is expected to be up to permit capacity of 125,000 barrels of synthetic crude oil per day by 1982. Syncrude's present permit with the Alberta government will allow it to produce about one billion barrels during a period of 25 years. The feasibility of expansion at Syncrude is being studied and this could lead eventually to significantly greater production.

When the project is in operation, it will employ about 2,800 people, most of

whom will live in Fort McMurray. To meet their needs, about 2,600 new houses and apartments will be required by 1978, and 800 of these dwellings were already completed at the end of 1976.

Imperial also has a one-third interest in more than a million acres of leases on deposits of bituminous sand in the Athabasca area where the sands are buried too deeply to permit recovery by the surface-mining methods used by Syncrude. The use of heat in various ways to reduce the viscosity of the bitumen offers the greatest promise in recovering this resource. In 1976, 25 wells were drilled in an evaluation program in this area, extending the company's knowledge about the characteristics of the formation that contains the bitumen, and further studies are in progress.



Shayne Minion makes notes of drill cores at Mountain Lake, N.W.T.

Keith Foster checks a bank of wells at the heavy-oil plant at Cold Lake, Alta.

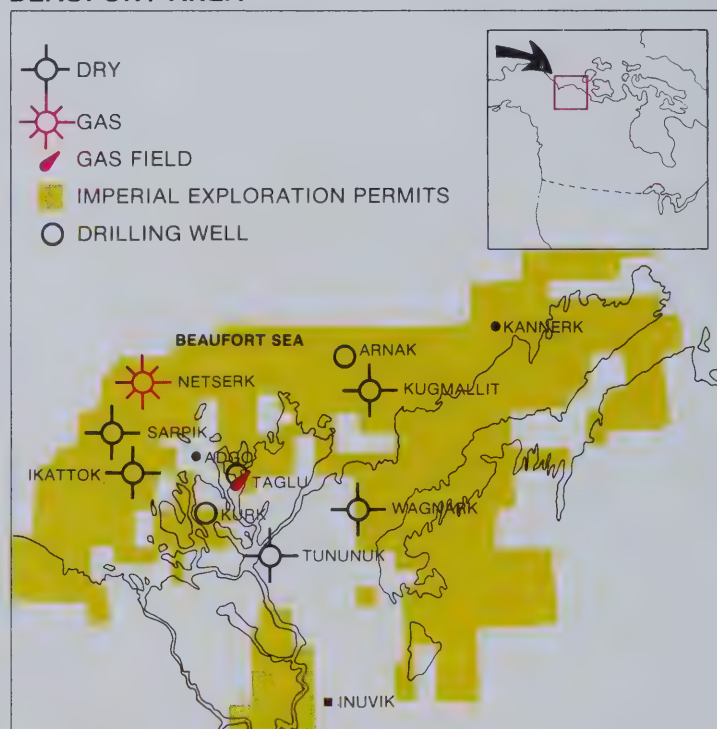


COLD LAKE AND OTHER HEAVY-OIL ACTIVITIES

Imperial has leases on deposits of heavy oil near Cold Lake, Alberta. These are buried at depths ranging from 1,000 to 2,000 feet and contain an estimated 44 billion barrels of oil. If 10 percent of this oil can be recovered economically, it would amount to about a quarter of all the conventional reserves of crude oil discovered to date in western Canada. To develop the technology necessary to produce this oil economically, Imperial has experimental pilot operations under way to recover the oil through wells. The process uses steam to heat the oil and reduce its viscosity sufficiently to allow it to flow. Field pilots were started in 1964 and results were used to design a large-scale pilot plant, which was completed in 1975 at a cost of \$15 million. Results have been encouraging, with 1976 production averaging about 5,000 barrels per day. Most of the production was trucked to the Strathcona refinery and used in the manufacture of asphalt.

At Imperial's research laboratory in Calgary, work is under way on improving the techniques for recovery of bitumen from deposits of heavy oil. Since the steam-injection technique requires large amounts of water, one aspect of the research is the re-use of water produced

BEAUFORT AREA



John Smith captains the Imperial Sarpik at Tuktoyaktuk, N.W.T.



with the oil in making steam. At the Sarnia laboratory, researchers are studying ways to upgrade the bitumen produced from the deposits of heavy oil into a lighter, more conventional crude oil. An important part of this research is directed at reducing the very large capital investments required to upgrade the bitumen.

MACKENZIE DELTA-BEAUFORT SEA OPERATIONS

The company completed three exploratory wells in the Beaufort Sea in 1976. Natural gas was discovered at Netserk, located 28 miles northwest of Richards Island, N.W.T. Tests from sandstone reservoirs at the well's 4,500-foot level demonstrated high productivity and follow-up drilling is required to determine the full extent of the reservoir. The two other wells — Sarpik and Kugmallit — were dry holes. At year-end, three wells were being drilled: Arnak, from an artificial island in Kugmallit Bay north of the Kugmallit well; a delineation well to help establish the extent of the Taglu gas field; and Kurk, located 20 miles southwest of the Taglu field. Kurk is the third well in a farmout agreement. Earlier in 1976, Imperial farmed out two other wells — Ikattok,

drilled from an artificial island in Shallow Bay, and Wagnark, on the Tuktoyaktuk peninsula. Both were dry holes. A fourth well in which Imperial participated at Tununuk was also dry.

During 1976, Imperial built five artificial islands in the Beaufort Sea, compared to only three for each of the previous two years. The Sarpik island was built in winter in 14 feet of water with gravel trucked over the ice from shore. Four islands were built in summer in water as deep as 29 feet. Two of them — Arnak and Kannerk — were constructed using the high-volume suction dredge, *Beaver Mackenzie*, and a floating pipeline to carry sand from seabottom deposits close to the island sites. The other two islands — Kugmallit and Adgo — used sand barged from more remote offshore sources.

Work on the design of a plant able to process 500 million cubic feet of gas per day from the Mackenzie Delta and Beaufort Sea continued in 1976 in the expectation that a gas pipeline from this area will be on stream by 1982.

During 1976, Imperial continued to gather information about the natural environment, both where the company is operating now and in areas where it may operate in the future. This information will provide a basis for equipment design

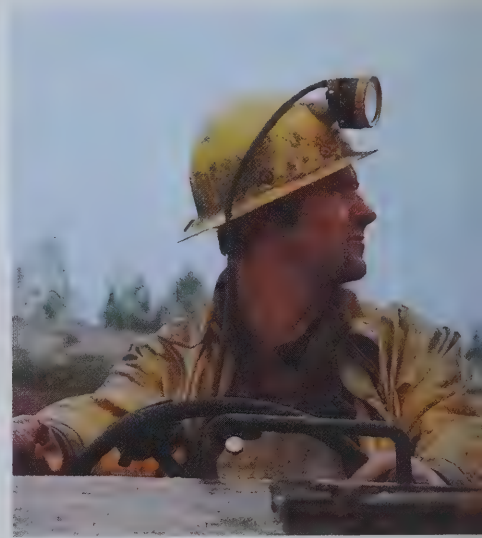
and selection to avoid potentially adverse environmental effects. In the Beaufort Sea, for example, the effects on marine life of island building and drilling operations were studied.

Public hearings on the competing applications to build a pipeline to move natural gas from the western Arctic to southern markets are nearing completion. In November, 1976, the inquiry of Mr. Justice Berger into the social, economic, and environmental aspects of a northern pipeline completed public hearings covering a period of 21 months. The National Energy Board is holding separate hearings, which are extremely comprehensive. They cover the physical aspects of the pipeline proposals as well as the terms of contracts, financing, the effect on the Canadian economy, environmental and social impacts, and overall balances in the supply and demand of Canadian gas. Imperial has participated in both hearings by providing technical data and witnesses to present Imperial's views. The hearings are expected to end in mid-1977 and the board's recommendations will be sent to the federal cabinet for final decision. Imperial believes the proposal of Canadian Arctic Gas Pipelines Limited offers the earliest and most efficient means by which the Mackenzie Delta reserves can be transported to market. This pipeline, which would also carry gas from Prudhoe Bay, Alaska, offers Canada the opportunity for substantial economic benefits from the efficiencies of sharing a common pipeline.

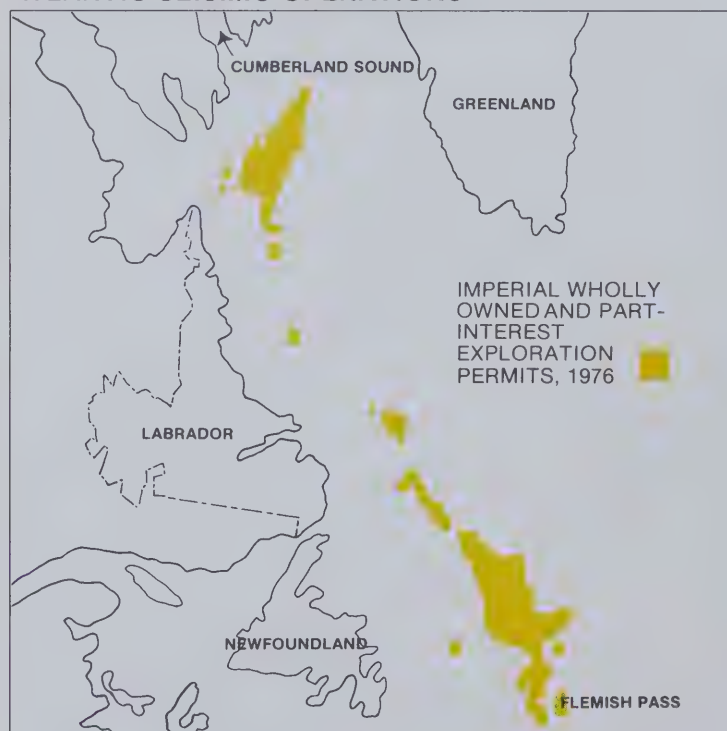
Driller Hans Lauritsen operates controls on the rig at the Quaich well in Alberta.



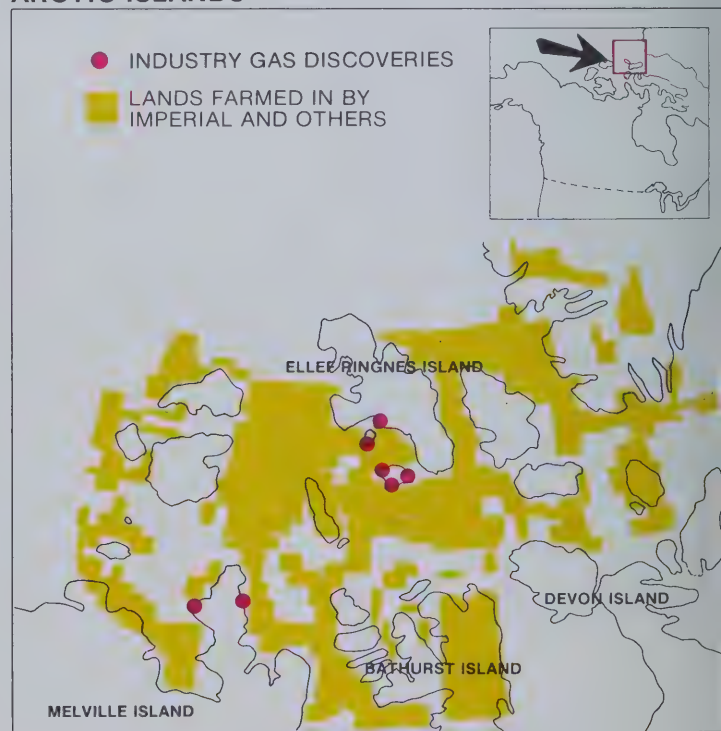
Les Newton at the lead-zinc mine near Gays River, N.S.



ATLANTIC SEISMIC OPERATIONS



ARCTIC ISLANDS



Also, if a transportation system is not shared with the United States, gas production from the Mackenzie Delta will be delayed until sufficient reserves are found to support a Canadian-only gas pipeline. For these reasons, the company continued its active support for the CAGPL proposal in 1976. Imperial has contributed approximately \$6 million of the \$130 million spent

since 1970 on the hearings and the required engineering design, environmental, and sociological-impact studies.

The work of Beaufort-Delta Oil Project Limited was suspended at the end of 1976. This company, sponsored by five companies including Imperial, had been studying the problems involved in building and operating a pipeline to transport oil from the Mackenzie Delta to connect with existing oil-transportation systems. While

exploration drilling has discovered significant amounts of natural gas, reserves of crude oil sufficient to justify an oil pipeline have not yet been discovered. If sufficient oil reserves are discovered, the information gained in this study will be useful in an application for a pipeline permit.

ATLANTIC OPERATIONS

Off Canada's east coast, Imperial has permits to explore 30 million acres and options to earn varying percentages of

MINERALS EXPLORATION AND DEVELOPMENT



three million additional acres stretching from south of Newfoundland to Baffin Bay. During 1976, the company used two ships to complete 3,000 miles of seismic surveys of these lands in the Flemish Pass east of Newfoundland, off the Labrador coast, and in the waters off Cumberland Sound. Evaluation of this information is expected to further define prospects for exploratory drilling in waters as deep as 4,000 feet by the end of this decade.

Consequently, the company is evaluating available drilling vessels for use in such water depths. Imperial is also supporting research to develop a drilling system for use in deeper water to permit exploration of prospective company acreage in water as deep as 10,000 feet.

In the event of a commercial discovery in this area, special production facilities will be required to bring the reserves on stream. The only practical means of producing reserves at these great water depths is a system that operates on the sea bottom, and Imperial is supporting a test of such a system. The company is also working on the concept of floating systems that would be used to drill producing wells and provide storage for oil.

ARCTIC ISLANDS OPERATIONS

In 1976, Imperial extended its exploration program to the Arctic Islands by participating in a farm-in agreement with others to explore 33 million acres, mainly in the

waters between the islands of the western Arctic. Imperial's interest in this farm-in is 35 percent. Drilling started in 1976 and the group has committed \$80 million to a program that will cover a period of four to six years. Imperial is taking part in this venture to participate in what it hopes will become an area of major gas supply. It is anticipated that the many unsolved problems, such as high transportation costs and the technology necessary to produce and move gas from this area, will be resolved so that production from the Arctic Islands can help meet energy demands in the future.

Coal Exploration and Development

Long-range projections for energy demand and supply indicate that coal will be required to meet an increasing share of the energy market. During the past several years, Imperial has acquired significant reserves of coal in Alberta, estimated at three billion tons in place. These were evaluated in 1976 to assess their commercial possibilities and further exploration was carried out to locate additional reserves. Expenditures on these programs totalled about \$2 million during the year.

Late in 1976, Imperial signed a letter of intent to acquire an interest of 16.75

percent in Quintette Coal Limited, a company with property containing reserves of metallurgical coal in northeastern British Columbia. Quintette is planning for a project to produce five million tons per year for export, beginning with one million tons in 1980.

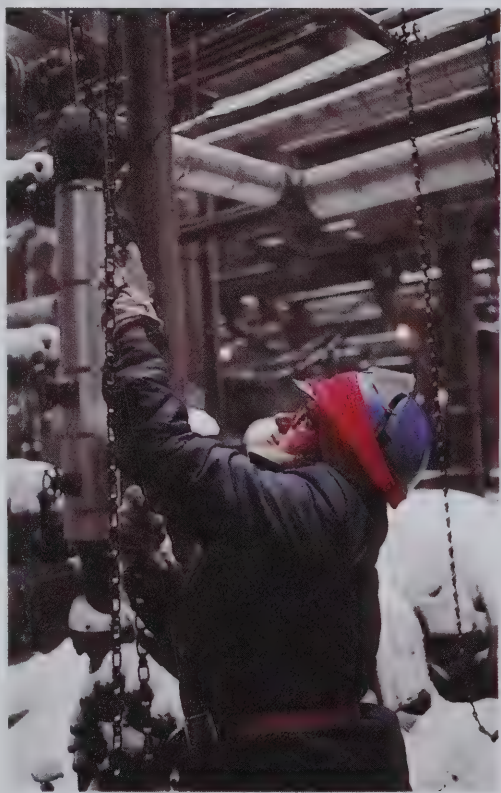
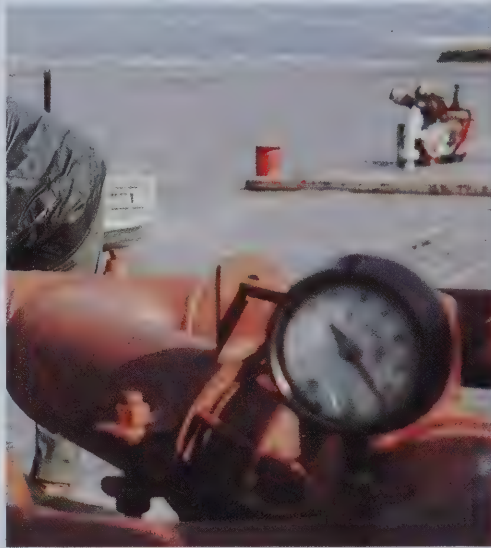
Minerals Exploration and Development

Imperial's program to find and develop uranium and base-metal deposits continued.

A test-mining program on the lead-zinc property at Gays River, N.S., about 36 miles north of Halifax, was completed late in the year and results are being evaluated so that a decision on the commercial feasibility of a full-scale mining and milling project can be made.

Two other properties being evaluated in 1976 showed particular promise. At Kutcho Creek in northern British Columbia, commercial grade copper-zinc ore has been discovered in several diamond drill-holes. This discovery will be evaluated with further diamond drilling in 1977. At a property near Mountain Lake in the Northwest Territories, promising uranium mineralization was encountered in several holes drilled during 1976 and this discovery will be followed up with more drilling in 1977.

Francis Tattie operating a crude-carrying barge at Norman Wells, N.W.T.



Petroleum Products

The petroleum-products segment of Imperial Oil's operations includes the manufacture, distribution, and sale of refined petroleum products. Earnings for this segment were \$48 million in 1976, on revenues of \$2,600 million.

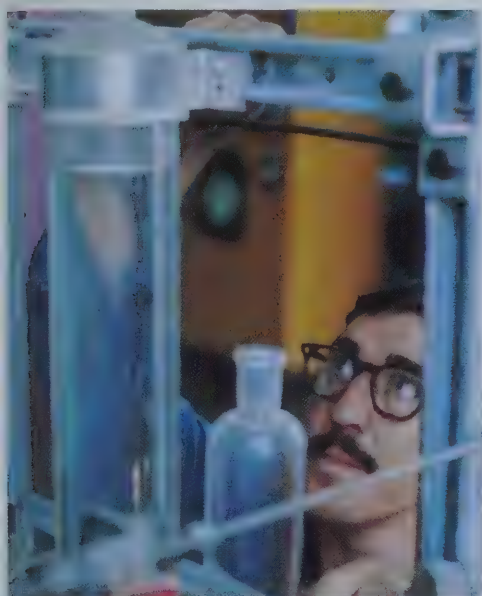
The 1976 revenues were greater than those of 1975 by 16 percent, mainly because of higher product prices required by the higher cost of crude oil. Increased sales were also a factor. Sales in 1976 averaged 489,000 barrels per day, up from 458,000 in 1975. In spite of these revenue increases and improvements in the efficiency of this segment of Imperial's operations, earnings for 1976 were \$6 million lower than in 1975. The decrease is a result of intense competition for sales and correspondingly lower prices as well as the effect and nature of government-imposed controls. The competitive situation stems from an industry-wide surplus of refining capacity, particularly in eastern Canada. Some refineries in eastern Canada were built primarily to serve the export market but, because of product surpluses in inter-

national markets, they have redirected production into the domestic market. As a result, there is a substantial surplus of capacity and industry earnings on refined products have been low; in Imperial's case the earnings after income taxes were less than eight-tenths of a cent per gallon of petroleum-product sales in 1976.

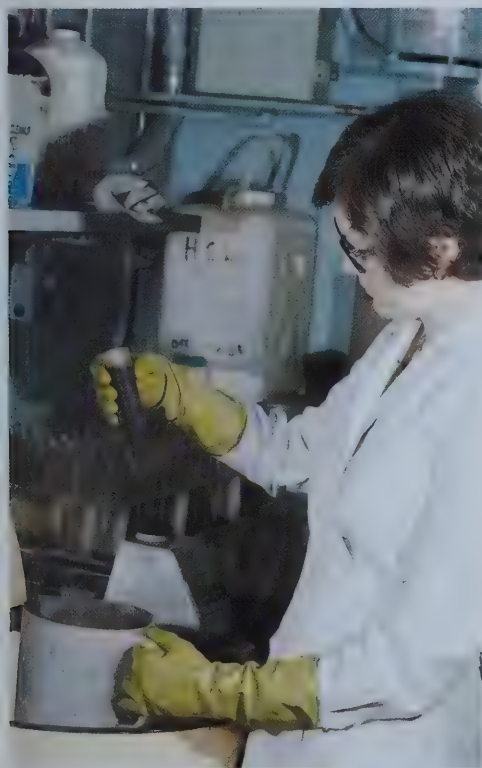
During 1976, governments continued to exercise full control over the amount and timing of increases in the posted prices of petroleum products, in some cases at both the federal and provincial levels. Imperial believes controls are unnecessary in a competitive market and the company is not alone in this belief — British Columbia abandoned direct price controls for most petroleum products in 1976 and the Ontario royal commission on petroleum products pricing concluded that the industry in that province was competitive and that consumers were well served with respect to prices. Moreover, the commission recommended that Ontario should avoid the establishment of an agency to regulate prices.

Roxanne Prior opens a valve on one of Esso Chemical's olefins units at Sarnia.

Joe Sauve examines the stripping unit of a research pilot plant at the Sarnia laboratory.



Debbie Waddell, a summer trainee with Esso Chemical at Sarnia.



Linda Dancey working in the production laboratory at Calgary.

One of the most serious aspects of current controls is government-imposed delays in passing along to consumers the higher product prices caused by higher costs of crude oil. These delays have reduced earnings and the flow of cash needed to finance the resulting increase in working capital.

The total capital employed in this segment of Imperial's business amounted to \$1,355 million at the end of 1976. Fixed capital remained relatively constant between 1975 and 1976, reflecting the completion of investments in the Strathcona refinery. Working-capital increases due to higher costs for inventory were offset by more efficient management of receivables.

OPERATING HIGHLIGHTS

The petroleum-products business has been in a period of intense competition. Efficiency measures that have been undertaken by Imperial in refining, distribution, and marketing will partially offset these effects but, in this business atmosphere, earnings are lean and returns on capital employed are small.

The company operates six refineries located at Dartmouth, N.S., Montreal,

Sarnia, Ont., Edmonton, Vancouver, and Norman Wells, N.W.T. Together, they processed a total of 423,000 barrels of crude oil per day in 1976, an increase of seven percent over the 1975 operations. The last two processing units of the new Strathcona refinery near Edmonton were started up early in the first quarter of 1976 and test runs have established capacity of this refinery to be in excess of 155,000 barrels per day, 10,000 barrels per day greater than its nominal design capacity. Strathcona replaces four old refineries at Calgary, Edmonton, Regina, and Winnipeg and these are being dismantled. Most of the property on which the refineries stood is being retained for product terminals or offered for sale, but 19 acres have been donated to municipal or provincial governments for parkland.

At the refinery in Montreal, a four-year program designed primarily to improve efficiency was completed in 1976. The project provides computer control of process units, automatic blending of pro-

Roger Hudson installing new fittings on a heat exchanger at the refinery at Vancouver.



duct streams, facilities to reduce pollutants, and the addition of new storage tanks of large capacity to handle Canadian crude. During the year, Imperial processed approximately five million barrels of Canadian crude at Montreal as a result of the Interprovincial pipeline extension from Sarnia, which began deliveries of Canadian crude in June.

Due to its efforts to use energy more efficiently, the company made significant savings. In 1976, for example, energy saved in refining operations amounted to the equivalent of a million barrels of oil, a cost saving of more than \$8 million.

A six-year program to improve the treatment of waste water at the refinery in Sarnia was completed in 1976 at a total cost of \$14 million and similar facilities under construction at the refineries in

Montreal and Dartmouth are on schedule. Imperial's research studies provided the design basis for these facilities, which will enable the refineries' effluent waters to meet all government environmental requirements.

In the regions of Canada where Imperial operates, the company has established teams to act in the event of a major oil spill. The teams will enable the resources of the corporation to be used on any oil spills that occur in their regions, whether they involve Imperial or someone else.

Imperial is continuing to restructure its network of service stations in response to the buying preferences of consumers, as well as to increase efficiency; the rapid expansion of self-serve stations and the reduction in the number of smaller outlets have been the most visible aspects of this program. During the past three years, the share of Imperial's retail gasoline sold through the company's self-serve stations has risen from two percent to 21 percent. Imperial expects to provide automotive services in approximately half of its self-serve outlets in order that consumers' needs for car maintenance and repair as well as lower-priced gasoline will be met.



Andy Anjema charges the reactor of a polyvinyl-chloride unit at Sarnia.

Cathy Durkin tends the rope-making machine at the Poli-Twine plant in Belleville, Ont.



Esso Chemical Canada

Earnings for Esso Chemical Canada in 1976 were \$19 million, a decrease of \$12 million from the 1975 earnings. Total receipts from sales and intra-company transfers of petrochemicals, fabricated products, and agricultural chemicals were \$360 million in 1976, up \$25 million from the revenues received in 1975.

	1976	1975
	millions of dollars	
Revenues		
Petrochemicals	186	151
Fabricated products	104	93
Agricultural chemicals	70	91
Earnings	19	31

The decline in earnings reflects an intensely competitive market in which most chemicals and the products made from them are in plentiful supply, not only in Canada but in other parts of the world as well. In this market, the com-

pany has not been able to obtain prices sufficient to recover increases in the cost of raw materials and of operations. This situation may be aggravated in the case of some petrochemicals as new plants come on stream in Canada and the United States between now and 1980.

The amount of capital employed by Esso Chemical Canada increased by \$3 million in 1976. Capital expenditures included the investment of \$9 million in programs to improve efficiency and increase capacity. Investments to increase safety and reduce the effect of operations on the environment cost \$4 million.

OPERATING HIGHLIGHTS

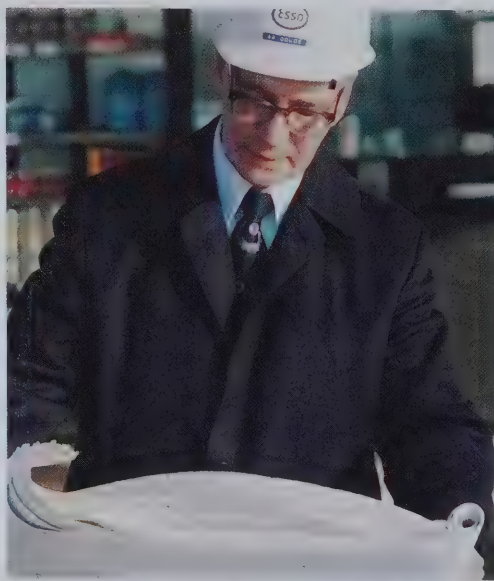
The demand for petrochemicals grew in 1976 with the improvement in the Canadian and world economies, and Esso Chemical's sales reached \$186 million. In response, the company produced a record amount of ethylene during the year — 224,000 metric tons. Sales of benzene increased by 72 percent over 1975 and of polyvinyl-chloride resin by 42 percent, both returning to about the 1974 levels. Demand for petrochemicals declined somewhat in the latter part of the year.

Profits from the sales of new and more efficient lubricating-oil additives developed by Imperial and Exxon research contributed to Esso Chemical's earnings. The demand for solvents was strong during the year, but competition kept profit margins slim in this intensely-competitive market.

In the fabricated-products section of Esso Chemical, earnings from conventional building materials, which remained at about the same level as in recent years, were offset by reduced earnings from plastic products.

Sales of agricultural chemicals in 1976 were 14 percent below 1975 levels as western farmers reduced their purchases of fertilizers. This market is expected to increase slightly during the next few years and the company will continue to provide quality products and service to consumers to maintain its position in the market.

Ab Gouge supervises construction of a self-serve station in Toronto.



In 1976, Esso Chemical Canada continued to work independently and with the Canadian chemical industry to identify potential dangers to health associated with the manufacture and use of some petrochemicals. During the year, the company spent or committed more than \$2.5 million to reduce levels of vinyl chloride both in the polyvinyl-chloride plant environment at Sarnia and in the products produced. The levels achieved meet government regulations.

The company also worked to establish objectives for energy conservation in all its plants. In 1976, the energy used per unit for production of petrochemicals was 13.7 percent less than the amount used in 1972.

Other Operations

This segment reports the equity earnings of Imperial's principal investments, the earnings from its property-development operations, and the net income from the interest on cash investments less the cost of short-term debt. Total earnings for this segment in 1976 were \$28 million, compared to \$22 million in 1975.

PRINCIPAL INVESTMENTS

Imperial's principal investments and the percentage interests in them are: Inter-provincial Pipe Line Limited, 32.8 percent; Montreal Pipe Line Company Limited, 32 percent; Rainbow Pipe Line Company, Ltd., 33.3 percent; Tecumseh Gas Storage Limited, 50 percent; Trans Mountain Pipe Line Company Ltd., 8.6 percent; Syncrude Canada Ltd., 31.25 percent. Imperial's share of the 1976 earnings of the first five companies in this list, which are accounted

for by the equity method, was \$18 million up \$2 million from 1975. Syncrude is not yet in operation.

PROPERTY DEVELOPMENT

Devon Estates Limited, a wholly owned subsidiary, manages certain of Imperial's real-estate holdings — mainly land from former service stations and dismantled refineries. Many of these properties across Canada were sold or leased during the year. The principal development was in Calgary, where an area of 189 acres is being developed for housing in four phases. The first two phases, containing 117 acres, have been subdivided and serviced and the lots sold to builders. The plan of subdivision for the third phase, covering 26 acres, is awaiting approval by the municipality and plans for the fourth phase are in progress.

INCOME FROM CASH INVESTMENTS

The company requires cash to carry out day-to-day operations and this cash is normally held in short-term investments until required. Short-term borrowing is used to even out monthly fluctuations in the cash balance. The net income from these operations in 1976 amounted to \$7 million, an increase of \$2 million over 1975.

Distances at the Strathcona refinery make a bicycle an asset.



The Impact of Inflation

When making year-by-year comparisons, shareholders should bear in mind that conventional financial statements do not reflect changes in the purchasing power of the dollar. For example, depreciation charged against earnings is based on original cost; in most cases this is considerably less than replacement cost today. The difference between original cost and replacement cost persists for many years even after costs have stabilized.

In recent years, new accounting methods have been proposed that attempt to reflect changes in purchasing power. One approach advocated by some accounting professionals is called "price-level restatement." This method compares current financial results with the results of prior periods in dollars of the same purchasing power. It was illustrated in Imperial's annual report for 1975. A main reservation to price-level restatement is that it produces results as if all costs in all industries were affected by the same degree of inflation. In reality, cost experiences differ widely throughout the economy.

Another accounting method being assessed by the accounting profession attempts to correct this weakness by es-

timating the impact of inflation on each individual company. It shows "current values" on the balance sheet instead of historical costs. The concept of current-value accounting is still being developed and accounting bodies throughout the world have not as yet arrived at a common definition of it.

The government of Ontario and the Canadian Institute of Chartered Accountants have formed committees to enquire into accounting for inflation. These committees have requested comments from interested parties and Imperial intends to submit its opinions on the subject when the company's study is completed.

In order to give shareholders an appreciation of the impact of replacement costs, the following table compares those items reported in the financial statements on pages 24 and 25 where replacement costs differ most significantly from the reported amounts. The table does not include an amount for reserves of crude oil and natural gas because the methodology of assigning a replacement cost to these reserves has not yet been resolved.

	As reported	Replacement cost	
	<i>millions of dollars</i>		
	<i>at Dec. 31, 1976</i>		
Property, plant, and equip- ment (net)	1,841	3,696	(1)
Inventories	487	508	
	<i>For the year ended Dec. 31, 1976</i>		
Depreciation and amortization	97	227	
Crude-oil and product purchases	2,612	2,687	

(1) Includes exploration and production acreage at net book value of \$84 million.

This replacement-cost information alone cannot be used to show the effects of inflation on Imperial's reported earnings. Other factors must be considered, including income tax policies, which have not yet taken this subject into consideration, and potential efficiencies in operating costs arising from the replacement of existing assets. Furthermore, because there is no agreement yet on a standard for arriving at replacement costs, they are based on certain judgements and assumptions. As a result, it may not be meaningful to compare Imperial's replacement costs with those of other companies.

Imperial Oil Limited

Consolidated financial statements
for the years 1976 and 1975,
together with Ten-Year Financial
and Operating Summary

Auditors' Report

To the shareholders of Imperial Oil Limited:

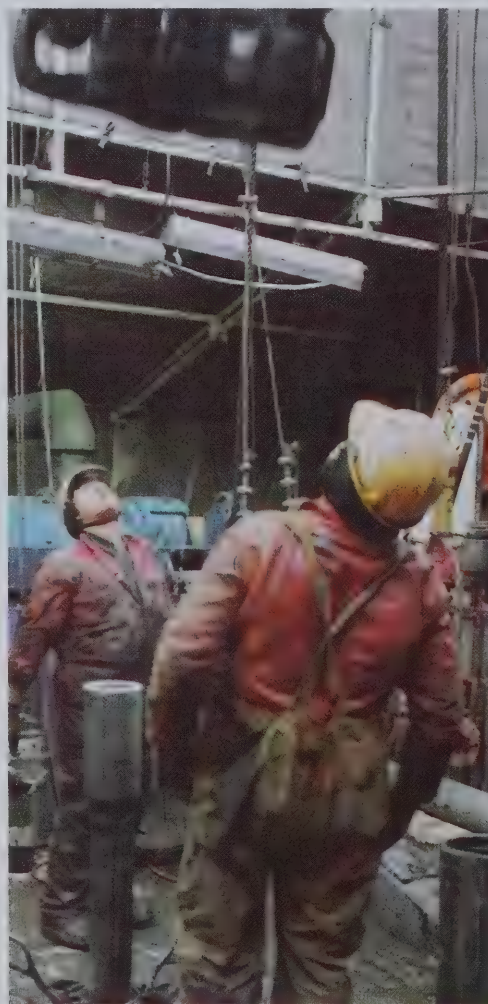
We have examined the Consolidated Statements of Earnings and Changes in Financial Position of Imperial Oil Limited and its subsidiary companies for the year ended December 31, 1976 and the Consolidated Balance Sheet as at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the results of operations and changes in financial position of the companies for the year ended December 31, 1976 and their financial position at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO.
Chartered Accountants,
Toronto-Dominion Centre, Toronto, Ontario.

March 1, 1977



Floormen Gerald Elliott and Ed Fouillard
drilling at Arnak in the Beaufort Sea.

Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies, all of which are wholly owned. All inter-company accounts and transactions have been eliminated.

The principal investments in other companies are accounted for on the equity basis and Imperial's share of their earnings before income taxes is shown as "Equity in earnings of principal investments" in the Consolidated Statement of Earnings. The income taxes related to these earnings are included in "Income taxes" in the same statement. These investments are recorded in the Consolidated Balance Sheet at Imperial's share of the book value of their underlying net assets. Other investments are recorded at cost and income from them is recorded only as dividends are declared.

A list of subsidiary companies is shown on page 2 and the principal investments are reported on page 20.

James Boyd, Carl Larsen, Tom Mitchell, and Marc Charest at a company seminar in Edmonton.



Philip Baker and Neil Woodward in the drafting room at Calgary.



Inventories

Inventories are recorded at cost under the first-in, first-out method, which is less than net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and are so carried until sold, abandoned, or otherwise disposed of.

Exploration expenditures, including costs of acquisition and retention of exploration acreage, geological and geophysical surveys, and unsuccessful drilling are charged against earnings as incurred, except to the extent that they relate to the acquisition of acreage expected to be productive, based on the companies' past experience.

In general, maintenance and repairs are charged to current operating expense but improvements that increase the service capacity or prolong the service life beyond that contemplated in the established rates are capitalized.

The net book amount of property sold or otherwise disposed of, less proceeds or salvage, is charged to earnings.

Depreciation of plant and equipment is based on the estimated service life of the asset, calculated on the straight-line method. Amortization of producing-well costs and of capitalized producing-lease costs is determined on the unit-of-production method.

Unamortized Debt Discount and Expense

The expense and discount on each debt issue are amortized in accordance with the straight-line method over the term of the respective debt.

Federal Import Compensation

Amounts received or claimed under the federal compensation program for oil imports are deducted from the cost of crude oil and product purchases. The company has maintained its selling prices in accordance with federal-government guidelines in order to be eligible for this compensation.

Income Taxes

Legislation permits certain costs and revenues to be deducted or added in calculating taxable income in years other than the year recorded in the financial statements. The companies follow the tax-allocation basis of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the time such costs and revenues are recognized for tax purposes and the time they are recorded in the financial statements. The resulting accumulated differences between the taxes actually paid and those charged to earnings are shown in the Consolidated Balance Sheet as "Deferred income taxes."

Taxes Other than Income Taxes

Taxes levied on the companies are included in "Taxes other than income taxes" in the Consolidated Statement of Earnings. Included in this category are federal sales tax, property taxes, and the special gasoline excise tax imposed in mid-1975.

Taxes levied on the consumer and collected by the companies—primarily provincial road taxes—are not included in the Consolidated Statement of Earnings, nor is the federal tax on exports of crude oil and petroleum products.

Employee Retirement Plans

The companies have a number of retirement plans covering substantially all employees. Costs of these plans are charged to earnings and funded on the basis of actuarial valuations made at least every three years. Increases in the estimated present value of projected benefits created by revisions to the plans are amortized over 15 years. The effect of inflationary forces, which cause salary levels to rise at a rate faster than that used in the actuarial valuations, is provided for currently. Shortages experienced as a result of other factors in the actuarial valuations, including decreases in the market value of securities, are provided for over a five-year period.

Imperial Oil Limited

Consolidated Statement of Earnings for the Years 1976 and 1975

	1976	1975
	<i>millions of dollars</i>	
Revenues		
Petroleum products	2,495	2,073
Crude oil and natural gas (including sale of purchased crude: 1976 - \$1,228; 1975 - \$1,451)	1,353	1,542
Chemicals and building materials	345	320
Other products	71	72
Other operating revenues	40	40
Equity in earnings of principal investments	34	33
Investment and other income	29	30
	<u>4,367</u>	<u>4,110</u>
Expenses		
Crude-oil and product purchases	2,612	2,526
Operating and exploration	430	385
Selling and administration	398	372
Depreciation and amortization	97	90
Income taxes (Note 1)	212	240
Taxes other than income taxes	323	217
Interest on long-term debt	31	30
	<u>4,103</u>	<u>3,860</u>
Earnings for the year	<u>264</u>	<u>250</u>
 Earnings per share (dollars)	 \$ 2.03	 \$ 1.92

Consolidated Statement of Changes in Financial Position for the Years 1976 and 1975

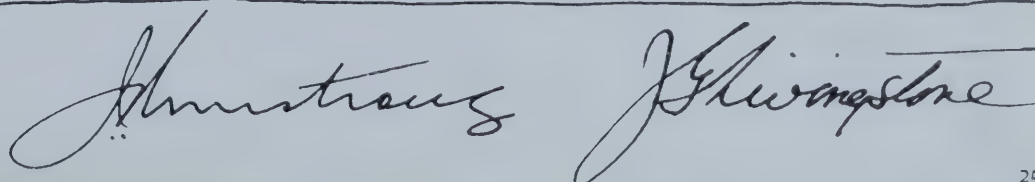
	1976	1975
	<i>millions of dollars</i>	
Funds were provided from:		
Operations (Note 2)	420	414
Debentures issued and other long-term debt	—	105
Sales of property, plant, and equipment	21	15
Other (net)	7	6
	<u>448</u>	<u>540</u>
Funds were used for:		
Capital expenditures for property, plant, and equipment	313	276
Dividends	106	104
Reduction of long-term debt	11	28
	<u>430</u>	<u>408</u>
Increase in working capital (Note 3)	<u>18</u>	<u>132</u>

Consolidated Balance Sheet as at December 31, 1976 and 1975

	1976	1975
	<i>millions of dollars</i>	
Assets		
Current assets		
Cash, including time deposits	13	55
Marketable securities, at the lower of cost and market	88	81
Accounts receivable (Note 4)	564	613
Inventories: crude oil and products	439	366
materials and supplies	48	45
Prepaid expenses	14	7
Total current assets	1,166	1,167
Investments (Note 5)	90	87
Long-term accounts receivable and other assets (Note 6)	42	50
Property, plant, and equipment (Note 7)	1,841	1,646
Total assets	3,139	2,950
Liabilities and deferred credits		
Current liabilities		
Short-term notes (Note 8)	15	45
Accounts payable and accrued liabilities (Note 4)	476	495
Income and other taxes payable	85	55
Total current liabilities	576	595
Long-term debt (Note 9)	331	342
Other long-term obligations	10	11
Deferred income taxes	486	424
Total liabilities and deferred credits	1,403	1,372
Shareholders' equity		
Capital stock (Note 10)	288	288
Earnings retained and used in the business		
At beginning of year	1,290	1,144
Earnings for the year	264	250
Dividends (per share: 1976 - 81.6¢; 1975 - 80¢) (Note 10)	(106)	(104)
At end of year	1,448	1,290
Total shareholders' equity	1,736	1,578
Total liabilities, deferred credits, and shareholders' equity	3,139	2,950

The Summary of Accounting Policies and Notes to the Financial Statements are part of these statements.

Approved by the Board



Notes to the Financial Statements

1. Income Taxes

Imperial Oil Limited:

	1976 millions of dollars	1975 millions of dollars
current	134	147
deferred	62	76
Principal investments at equity	16	17
	<u>212</u>	<u>240</u>

The operations of the companies are complex and the related income-tax interpretations, regulations, and legislation are continually changing. As a result, there are usually some tax matters in question. The companies believe the provision made for income taxes payable is adequate.

2. Funds Provided from Operations

	1976 millions of dollars	1975 millions of dollars
Earnings for the year	264	250
Adjustments for		
depreciation and amortization	97	90
deferred income taxes	62	76
excess of equity earnings over dividends declared	(3)	(2)
	<u>420</u>	<u>414</u>

3. Working Capital

Changes in the components of working capital are:

	1976 millions of dollars	1975 millions of dollars
Current assets		
Cash, marketable securities, and short-term notes	(5)	(7)
Accounts receivable	(49)	64
Inventories	76	31
Prepaid expenses	7	—
	<u>29</u>	<u>88</u>
Current liabilities		
Accounts payable and accrued liabilities	(19)	57
Income and other taxes payable	30	(101)
	<u>11</u>	<u>(44)</u>
Increase in working capital	<u>18</u>	<u>132</u>

4. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of operations, were \$65 million and \$2 million respectively at Dec. 31, 1976 (\$77 million and \$2 million respectively at Dec. 31, 1975).

5. Investments

	1976 millions of dollars	1975 millions of dollars
At equity		
with quoted market value	68	66
1976 — \$125 million		
(1975 — \$107 million)		
without quoted market value	21	20
At cost	1	1
	<u>90</u>	<u>87</u>

6. Long-Term Accounts Receivable and Other Assets

	1976 millions of dollars	1975 millions of dollars
Long-term accounts receivable	27	35
Funds on deposit with governments and others	4	4
Deferred charges	11	11
	<u>42</u>	<u>50</u>

7. Property, Plant, and Equipment

	1976	1975	1976	1975
			Accumulated depreciation and amortization	
	Cost			
	millions of dollars			
Exploration and production	781	725	315	292
Heavy oil and Syncrude	361	176	13	11
Other minerals	1	1	1	1
Crude-oil refining	953	995	335	362
Marketing	476	482	205	202
Chemicals and building materials	237	222	134	121
Other	59	56	24	22
	<u>2,868</u>	<u>2,657</u>	<u>1,027</u>	<u>1,011</u>
Net investment	<u>1,841</u>	<u>1,646</u>		

The charge against earnings in 1976 for amortization of producing-well costs and capitalized producing-lease costs amounted to \$10 million (1975 — \$11 million) and the accumulated provision at Dec. 31, 1976, amounted to \$181 million.

8. Short-Term Notes

The average amount of short-term debt outstanding at Dec. 31, 1975, and the end of each quarter during 1976 was \$24 million. The average interest rate for 1976 was 9.3 percent. The maximum amount of short-term notes outstanding at the end of any quarter in 1976 was \$24 million.

9. Long-Term Debt

	1976 millions of dollars	1975
6 ³ / ₄ % Sinking Fund Debentures, 1967 Issue, maturing Jan. 2, 1987	32	38
7 ¹ / ₄ % Serial Debentures, 1968 Issue, maturing Jan. 2, 1976	—	2
7 ³ / ₄ % Sinking Fund Debentures, 1968 Issue, maturing Jan. 2, 1988	36	40
8 ¹ / ₂ % Sinking Fund Debentures, 1969 Issue, maturing Aug. 15, 1989	18	20
6 ⁷ / ₈ % Serial Debentures, 1972 Issue, maturing Feb. 15, 1981	13	15
7 ³ / ₄ % Sinking Fund Debentures, 1972 Issue, maturing Feb. 15, 1992	35	35
10 ⁵ / ₈ % Sinking Fund Debentures, 1974 Issue, maturing Aug. 15, 1994	100	100
9 ³ / ₄ % Sinking Fund Debentures, 1975 Issue, maturing Feb. 15, 1995	100	100
Interest-free loan*	—	20
	334	370
Amount due within one year	3	28
	331	342

Sinking fund and maturity payments required during the next five years on the above debentures are: 1977 — \$3 million; 1978 — \$6 million; 1979 — \$9 million; 1980 — \$14 million; 1981 — \$19 million.

*The U.S. \$20 million loan outstanding at Dec. 31, 1975, was repaid in 1976, as part of a revised agreement with a United States gas-pipeline company.

10. Capital Stock

	Class A	Class B
Number of shares authorized	160,000,000	160,000,000
issued: Dec. 31, 1976	125,852,510	4,358,944
Dec. 31, 1975	128,665,923	1,541,732

Each class of shares is voting, convertible into one another on a share-for-share basis, and ranks equally with respect to dividends and in all other respects. The only distinction between the two classes is that, in the case of Class B shares, cash dividends may be specified to be paid out of tax-paid, undistributed surplus on hand or out of 1971 capital surplus on hand (as defined in the Income Tax Act of Canada). If any cash dividend is declared on the Class B shares, a cash dividend on the Class A shares must also be declared equal to the cash dividend being paid on each Class B share plus, in the case of such dividend paid out of tax-paid, undistributed surplus on hand, the amount of the tax paid toward the dividend on each Class B share. The tax paid with respect to Class B dividends is included in "Dividends" in the Consolidated Balance Sheet.

The company has two stock-option plans for employees under which options for the purchase of Class A or Class B common shares of the company are still outstanding. No further options may be granted under either of these plans. As of Dec. 31, 1976, there were outstanding options to purchase 1,068,877 shares at prices ranging from \$14.06 to \$38.14. All options may be exercised currently. Included in the above are 217,130 shares under option to directors and officers. In 1976, options were exercised totalling 3,799 shares for \$52,000 under the terms of the plans.

11. Remuneration of Directors and Officers

In 1976, the aggregate remuneration of eight directors of the company when serving as both directors and officers was \$1,263,000. The aggregate remuneration of nine other officers and three past officers when serving only as officers was \$971,000. All directors and officers are full-time employees of the company.

12. Long-Term Incentive Compensation

In 1975, the company implemented a form of long-term incentive compensation. It may be granted as an additional form of compensation to provide performance incentives to selected employees. Future payments with respect to incentive compensation will be based on any increase in the price of Imperial Class A shares or any increase in the earnings per share of the company. Total charges to earnings in respect of this incentive for 1976 were \$512,000 (1975 — \$865,000). Portions of these amounts become payable only on specified future dates to the year 1982.

13. Employee Retirement Plans

The estimated market value of the pension-fund assets on Dec. 31, 1976, was \$304 million, which approximates the value of the vested benefits at that date. The estimated present value of all future benefits exceeds the market value of the fund by \$91 million, and this amount is being amortized in accordance with accepted practices as outlined on page 23. Most of this future obligation results from increases in benefits for both annuitants and employees.

The companies charged \$37 million to earnings in 1976 (1975 — \$40 million) in respect of retirement plans.

14. Syncrude

Through Syncrude Canada Ltd., the company is a participant in the construction of a plant to produce synthetic crude oil from the Athabasca oil sands. The project is currently estimated to cost about \$2.1 billion. The company's 31.25 percent share will amount to approximately \$665 million, of which approximately \$350 million was spent to Dec. 31, 1976.

The Syncrude participants have made commitments to Alberta Power Limited for facilities to supply electrical energy and for a substation beside the plant site. Since June 1, 1976, Imperial has been committed to pay its share, amounting to approximately \$720,000 per year for a minimum of 25 years for the use of these facilities.

Alberta Oil Sands Pipeline Ltd. will construct a pipeline to transport synthetic crude from the Syncrude plant to Edmonton. Imperial and the other participants have entered into a throughput-and-deficiency agreement with Alberta Oil Sands that provides for minimum shipments of oil. The agreement comes into effect in 1978 when the line is completed and the Syncrude plant comes on stream. It provides that, if Alberta Oil Sands is unable to meet the principal and interest payments on its outstanding debt, Imperial is obliged by the agreement to provide 31.25 percent of the funds necessary to meet such payments. The total indebtedness of Alberta Oil Sands is expected to be approximately \$50 million.

15. Other Contingencies and Commitments

The company has guaranteed or otherwise agreed to protect obligations of others in the principal amount of \$6 million.

Rentals and commitments payable by the company under long-term agreements approximate \$24 million annually.

16. Saskatchewan Levies

On Dec. 23, 1976, Imperial commenced an action in Saskatchewan challenging the constitutionality and validity of the Saskatchewan mineral income tax and royalty surcharges. As they apply to oil production in Saskatchewan, these levies have been paid by Imperial under protest since April, 1974.

Ten-Year Financial and Operating Summary

(dollars in millions except per-share and per-employee amounts)

Revenues										Earnings		
YEAR	Petroleum products	Crude oil and natural gas	Chemicals and building materials	Other products	Other operating revenues	Total operating revenues	Equity in earnings of principal investments	Investment and other income	Total revenues	Total	Per share	Total
1976	\$2,495	\$1,353	\$345	\$71	\$40	\$4,304	\$34	\$29	\$4,367	\$264	\$2.03	\$106
1975	2,073	1,542	320	72	40	4,047	33	30	4,110	250	1.92	104
1974	1,789	1,424	318	76	38	3,645	36	32	3,713	289	2.22	104
1973	1,316	946	198	74	46	2,580	44	24	2,648	225	1.74	104
1972	1,094	699	155	70	27	2,045	36	23	2,104	151	1.18	77
1971	1,022	650	145	65	25	1,907	32	22	1,961	139	1.08	77
1970	924	534	131	63	28	1,680	28	21	1,729	106	.83	68
1969	877	437	123	59	15	1,511	24	15	1,550	93	.73	68
1968	857	389	115	56	15	1,432	23	15	1,470	98	.76	67
1967	817	321	107	46	8	1,299	22	12	1,333	97	.76	67

Taxes and Royalties							Financial Position at Year-End						
YEAR	CHARGED AGAINST INCOME					COLLECTED FOR GOVERNMENTS		Current assets	Current liabilities	Current ratio	Working capital	Property, plant, and equipment net	Capital employed
	Income taxes	Federal sales tax	Special gasoline excise tax	Property and other taxes	Crown royalties	Total	Export tax						
1976	\$212	\$119	\$168	\$36	\$291	\$826	\$119	\$1,166	\$576	2.0	\$590	\$1,841	\$2,560
1975	240	97	88	32	273	730	224	1,167	595	2.0	572	1,646	2,330
1974	267	81	—	28	251	627	297	1,085	645	1.7	440	1,475	2,000
1973	147	70	—	35	81	333	16	762	382	2.0	380	1,228	1,700
1972	97	59	—	22	37	215	—	658	283	2.3	375	1,043	1,500
1971	97	57	—	20	29	203	—	625	299	2.1	326	922	1,300
1970	75	52	—	19	26	172	—	577	274	2.1	303	875	1,300
1969	65	52	—	18	21	156	—	517	221	2.3	296	859	1,200
1968	66	49	—	17	19	151	—	498	247	2.0	251	811	1,100
1967	66	47	—	16	17	146	—	449	175	2.6	274	713	1,100

Exploration and Production								Crude Supply and Utilization - thousands of barrels per day				
YEAR	Gross land holdings (millions of acres)	Net wells drilled		GROSS PROVED RESERVES			Natural-gas sales (millions of cubic feet per day)	CANADIAN CRUDE				
		exploratory	development	Crude oil and natural-gas liquids (millions of bbls.)	Western Canada natural gas (billions of cubic ft.)	Estimated natural-gas reserves in Mackenzie Delta (billions of cubic ft.)		Net production	Purchases from others	Domestic sales	Export sales	Used in Imperial refineries
1976	50	16	11	1,101	2,366	3,400	236	154	509	281	110	272
1975	61	6	8	1,137	2,519	3,100	265	173	605	336	199	243
1974	66	16	49	1,206	2,607	—	337	224	677	389	246	266
1973	89	26	42	1,338	2,868	—	345	275	673	373	313	262
1972	88	20	43	1,387	3,060	—	262	224	626	319	288	243
1971	87	12	32	1,489	3,188	—	213	183	636	337	229	253
1970	64	23	27	1,567	3,328	—	199	170	589	304	203	252
1969	45	54	31	1,702	3,340	—	179	154	500	255	162	237
1968	46	90	54	1,593	3,117	—	173	150	443	225	145	223
1967	45	64	71	1,517	2,860	—	163	141	386	176	131	220

GLOSSARY OF TERMS

Earnings as a Percentage of Capital Employed

Earnings after income taxes plus net interest on long-term debt expressed as a percentage of average capital employed. Capital employed is total assets less current liabilities.

Earnings as a Percentage of Shareholders' Equity

Earnings after income taxes expressed as a percentage of weighted average shareholders' equity. Shareholders' equity is capital stock plus earnings retained and used in the business.

Payroll and Benefits per Employee

Total payroll and benefits for full-time employees divided by the average number of employees.

Gross Proved Reserves

The estimated quantity of crude oil, natural gas, natural-gas liquids, and sulfur that analysis of geological and engineering data demonstrates with reasonable certainty to be recoverable from known oil or gas fields under existing economic and operating conditions. This data does not include Beaufort Basin discoveries or Syncrude, Cold Lake, and other heavy-oil deposits.

Mackenzie Delta Estimated Reserves

These reserves are based on the best information available, but cannot yet be considered to be proved. They are not marketable until a gas pipeline is constructed.

Dividends		Working Capital from Operations		Capital and Exploration Expenditures												
As a % of earnings	Per share	Total	Per share	PETROLEUM RESOURCE DEVELOPMENT				Other minerals	Crude-oil refining	Marketing	Other	Chemicals and building materials	Total	Portion expensed	YEAR	
				Exploration	Production	Heavy oil and Syncrude	Total									
40	\$.816	\$420	\$3.24	\$109	\$24	\$187	\$320	\$9	\$ 23	\$26	\$2	\$13	\$393	\$80	1976	
42	.80	414	3.17	68	18	102	188	5	85	29	2	17	326	50	1975	
36	.80	445	3.41	68	43	66	177	6	165	42	2	12	404	64	1974	
46	.80	350	2.70	60	57	6	123	5	154	42	2	7	333	64	1973	
51	.60	244	1.89	70	39	4	113	3	93	37	7	6	259	58	1972	
56	.60	218	1.69	42	40	4	86	2	35	29	4	5	161	31	1971	
64	.525	174	1.35	31	27	2	60	2	15	39	1	5	122	28	1970	
72	.525	169	1.32	26	19	2	47	2	22	45	1	17	134	25	1969	
69	.525	168	1.31	31	23	6	60	1	46	35	—	46	188	32	1968	
69	.525	160	1.26	34	22	3	59	1	43	40	—	22	165	36	1967	

					Share Ownership				Employees			
Earnings as % of capital employed	Total assets	Long-term debt	Shareholders' equity	Earnings as % of shareholders' equity	SHAREHOLDERS		SHARES		PAYROLL AND BENEFITS			YEAR
					Number Dec. 31	Resident in Canada %	Issued Dec. 31 (thousands)	Held in Canada %	Number Dec. 31	Total	Per employee	
11.4	\$3,139	\$331	\$1,736	15.9	45,807	87	130,211	24	14,753	\$339	\$21,600	1976
12.0	2,950	342	1,578	16.4	44,672	87	130,208	22	15,321	326	19,800	1975
15.6	2,701	265	1,432	21.1	44,433	85	130,189	20	16,117	284	17,200	1974
14.1	2,132	224	1,246	19.2	42,646	84	130,117	18	15,936	227	13,900	1973
10.8	1,840	221	1,113	14.1	44,171	84	129,520	20	15,549	201	13,000	1972
10.7	1,691	166	1,031	14.0	46,188	84	129,105	21	15,019	190	12,200	1971
8.6	1,593	173	962	11.3	52,934	86	128,594	24	15,543	176	11,200	1970
8.0	1,501	178	923	10.2	50,188	85	128,528	24	15,516	162	10,500	1969
8.9	1,428	128	896	11.1	37,780	87	128,437	25	15,164	150	9,900	1968
9.5	1,276	102	863	11.6	39,578	88	128,202	26	14,933	136	9,100	1967

		Petroleum Products - thousands of barrels per day						Chemicals and Building-Materials sales - thousands of metric tons per year					
IMPORTED CRUDE	Purchased for Imperial refineries	Total crude purchases	SALES					Fertilizer	Building materials	Petrochemicals	Total	YEAR	
			Crude processed	Refinery capacity Dec. 31	Gasolines	Middle distillates	Other products						Total
151	660		423	509	187	150	104	441	487	455	777	1,719	1976
152	757		395	505	175	144	99	418	561	421	678	1,660	1975
172	849		438	479	181	157	105	443	642	466	751	1,859	1974
179	852		441	477	182	160	107	449	619	440	640	1,699	1973
156	782		399	469	158	160	99	417	513	397	691	1,601	1972
159	795		412	447	159	149	98	406	410	394	651	1,455	1971
154	743		406	431	153	151	96	400	349	343	522	1,214	1970
140	640		377	422	151	143	87	381	105	382	637	1,124	1969
136	579		359	405	145	142	91	378	105	339	450	894	1968
130	516		350	397	141	138	87	366	100	308	424	832	1967

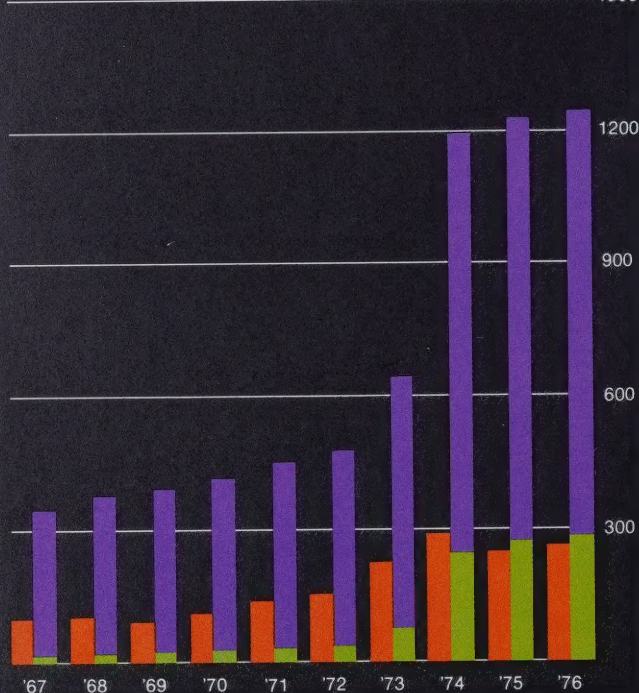
Financial and Operating Trends 1967-1976

Earnings Compared with Taxes and Crown Royalties

■ earnings
■ total taxes generated
■ crown royalties

millions of dollars

1500

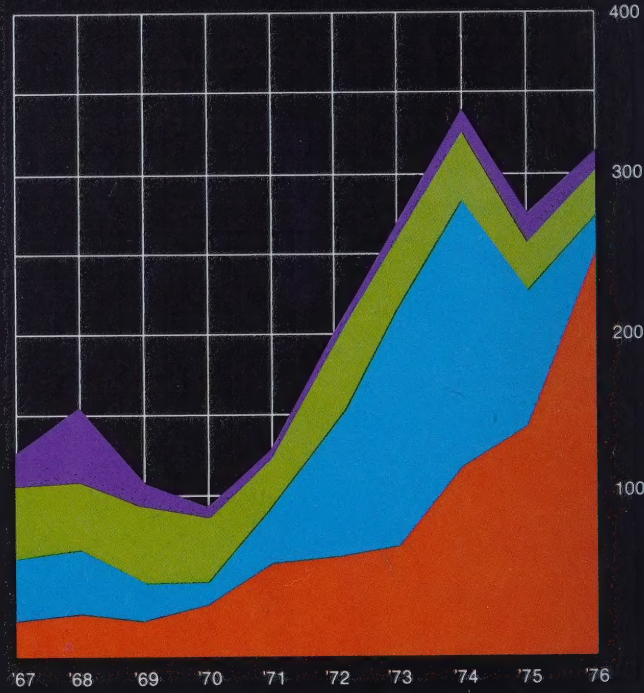


Capital Expenditures

■ chemicals and building materials
■ marketing and other
■ crude-oil refining
■ petroleum resources and other minerals

millions of dollars

400

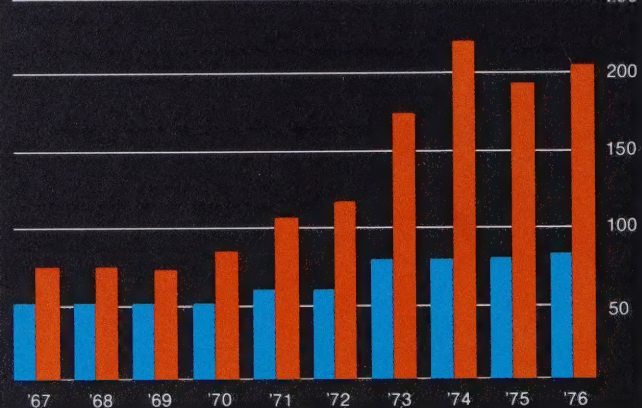


Earnings and Dividends Per Share

■ earnings
■ dividends

cents per share

250

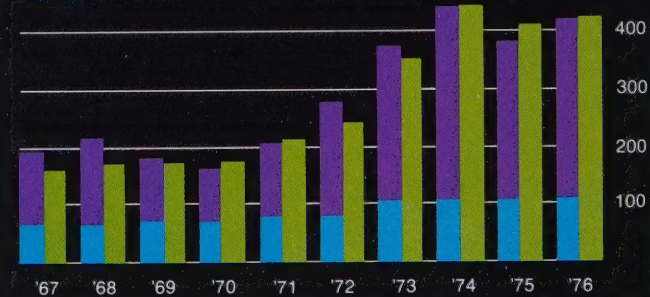


Working Capital from Operations Compared with Dividends and Capital Expenditures

■ working capital from operations
■ capital expenditures
■ dividends

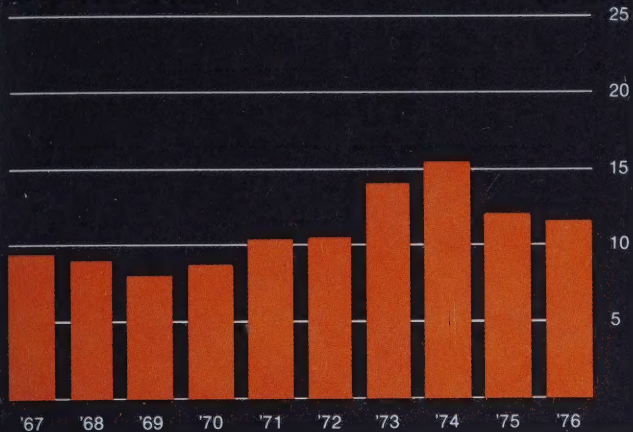
millions of dollars

400



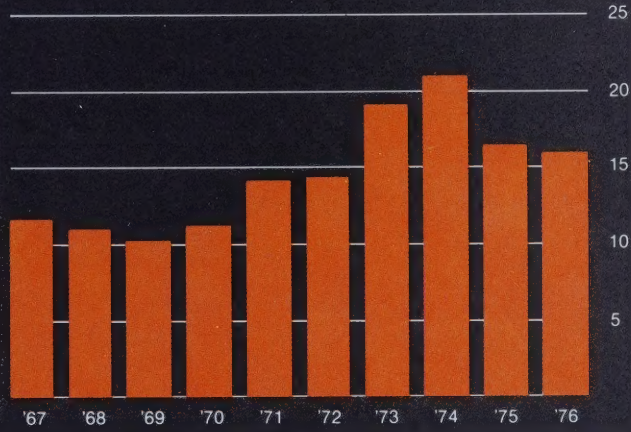
Earnings as a Percentage of Capital Employed

percentage



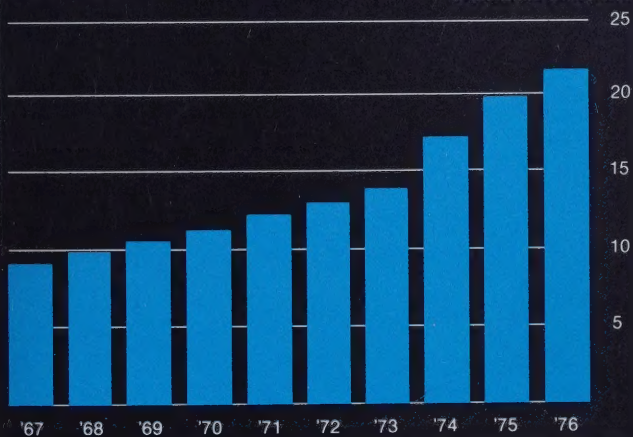
Earnings as a Percentage of Shareholders' Equity

percentage



Salaries, Wages and Benefits Per Employee

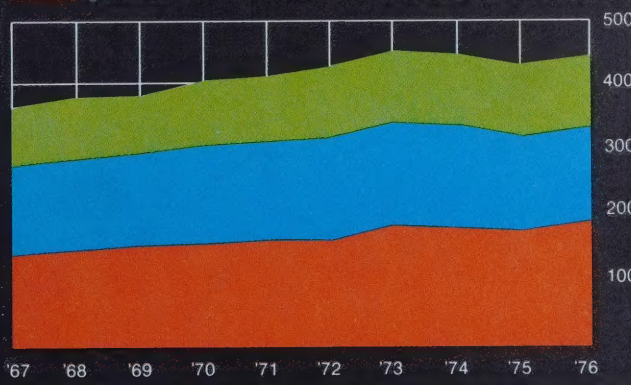
thousands of dollars



Petroleum Product Sales

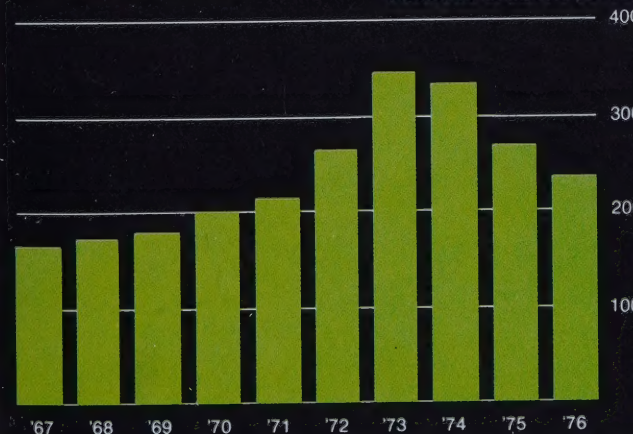
other products
middle distillates
gasolines

thousands of barrels per day



Gross Production of Crude Oil and Natural-Gas Liquids

thousands of barrels per day



Natural-Gas Sales

millions of cubic feet per day



